Thursday January 28, 2021

Lloyd's List
Maritime intelligence | informa

Daily Briefing
Leading maritime commerce since 1734

Tankers doldrums underscored as tonne-mile demand shrinks 6.4%

PRELIMINARY TANKER TONNE-MILE demand data for 2020 reveal trade routes with the greatest falls and suggest China alone cannot sustain any earnings rebound for the beleaguered shipping sector this year.

Global tanker tonne-mile demand, measuring volumes carried by distance travelled, dropped 6.4% during the year to 10.7trn miles over 24,128 voyages, according to data collated from Lloyd's List Intelligence*.

Tonne-mile demand is a proxy for tanker demand.

Oil exports to China accounted for 32.6% of all tanker tonne miles and 22% of the 2.3bn tonnes (48.4m barrels per day) of shipments tracked, data show. In 2019 China's share of global shipments was 18%.

This reflected the country's swift economic rebound from the global pandemic, with tanker tonne miles also posting a 6.7% gain on 2019 levels.

However, dramatic falls were recorded in both tonne-miles and barrels shipped from key oil producing countries in the Middle East and West Africa.

These were especially sharp for destinations to northwest Europe, the Mediterranean and the Americas.

Tonne-mile demand from the Middle East Gulf plunged 9.9%, with exports shrinking by roughly the same amount in 2020.

Some 18m bpd of the 48.4m bpd of global seaborne oil trade was tracked from the Middle East Gulf on 6,724 tankers, representing 928 fewer voyages than 2019.

The global fleet of trading VLCCs, suezmax and aframax tankers that set rates direction for smaller vessels numbers some 2,200.

Oil producers have lowered production since 2020's second quarter to protect oil prices and draw inventories, while refineries have slowed buying.

A second wave of lockdown quarantines and travel restrictions, especially in Europe and the UK as well as China, is further denting demand for transport fuels of jet fuel, diesel and gasoline.

As a result, spot tanker earnings for VLCCs, suezmaxes and aframaxes are now unsustainable.

Spot charter rates have been assessed lower than operating expenses on key routes for most of 2021 and the preceding quarter, data from the Baltic Exchange show.

Thar has left the tanker sector extraordinarily out of sync with freight earnings when measured against containerships and bulk carriers.

While it currently costs some $9,000 to ship one 40 ft container to the US west coast from China, the freight component to ship one barrel of crude on the four-week voyage to China from the US Gulf coast is $2.16.

Short-term charter rates for containerships have tripled over the last six months as pent-up consumer demand in the final half of 2020 followed hundreds of cancelled sailings earlier in the year.

Bulk carrier earnings remain insulated against the demand destruction affecting tankers because of China's dominance in the dry market.

China accounts for 75% of an estimated 1.2bn tonnes of the seaborne iron ore trade in 2020, providing a floor in rates.

Comparatively, China accounts for 22% of all crude imported by sea, 17.7% of liquefied natural gas and nearly 18.5% of seaborne coal, based on analysis by Lloyd's List.

The country's rising contribution to tanker tonne miles is offset by dramatic falls for West African and Middle East Gulf shipments to Europe and the Americas.

Exports from the Middle East Gulf to destinations west of the Suez Canal fell by 25%.

West Africa tonne-miles to western destinations were 20.5% lower year on year. Tonne-miles from West Africa to east of the Suez canal also fell, by 3.8%.

Tanker tonne-miles and oil volumes on the Middle East Gulf-US route dropped 26% and are now measured at just over 600,000 bpd over 2020.

The oil price war of March and April that saw record numbers of VLCCs laden with Saudi crude sail for the US Gulf lifted tonne miles on the route by 54% and volumes by 53%.

However, the figure does not reflect the final half of 2020, when imports to the US from the Kingdom set multi-decade lows.

** Methodology: data includes laden voyages from all crude tankers over 10,000 dwt and product tankers over 60,000 dwt*

WHAT TO WATCH

New Maritime UK chair looks to shake up public perception

TRANSFORMING the often stuffy profile of the Britain's marine and maritime industries must be an immediate priority, according to the new leader of Maritime UK, the sector's umbrella body for trade associations.

Sarah Kenny said her priorities also included greater cohesion with the sector itself and liaison with relevant government departments.

But the first task will be to boost public awareness of what shipping and related industries do, and how their efforts fit in with the challenges facing the country right now.

"It's seen as in some ways — and being candid with you, quite rightly — as being traditional and resistant to change," she said in one of her first interviews since taking the voluntary position. "That does, still today, reflect parts of it, but by no means all.

"I'm very keen on reshaping the image of the sector, so people understand its importance, particularly to the UK economy, but also value it. It's ripe for a true transformation that could make it a world-leading marine and maritime sector."

Examples of outreach include a series of successful London International Shipping Weeks, and engagement with schools around the 'STEM axis' of the subjects of science, technology, engineering and mathematics.

School students are offered workshops, and even brought on board ships, allowing them to meet people who are working in the sector.

That effort is being made not just to encourage new entrants to join the industry, essential though that is, but to teach young people something about the importance of shipping.

"It's easy to forget about marine and maritime," she says. "Ports are often hidden away. People are aware there's a port somewhere, but you can't actually access it, with security and safety. Everything else happens at sea. Ironically, I think Covid and Brexit did us something of a favour here. They have accelerated public awareness of the importance of the sea.

"When people see pictures of lorries stranded in carparks at Dover, and then they realise their Amazon order is suddenly taking three weeks to arrive, it has accelerated people's desire to know more."

Ms Kenny, who started as her career as a civil servant marine scientist before taking on management roles in both the public and private sector, is chief executive of marine-rooted engineering consultancy BMT Group.

But perhaps helping with her desire to ring in the changes, she is clearly not a 'shipping person' in the male, pale and stale sense of the word.

She grew up in rural Essex, not far from the sea, but has no family ties with either the merchant marine or the Royal Navy.

Her working life began as a scientific specialist with what was then known as the Ministry of Agriculture, Fisheries and Food, inevitably known colloquially at the time as simply 'the Min of Ag'.

The job entailed work on various topics of fascination to the scientific fraternity, including marine sediments.

From there, she moved to the Defence Evaluation Research Agency in the environmental sciences department, serving as UK representative on the NATO working party looking at environmental compliance for warships, which must stick to broadly the same rules as merchant vessels.

"There's a huge operational advantage to be gained by doing it, because you're not having to slow your ship down to ditch sewage or other waste into the sea," she said. "You're keeping your ships on task, and you also avoid detection issues, as people can track you using your trail of rubbish.

"There was a whole side to living and working at sea, on a warship, that I was was familiar with as an environmental scientist. You live, work and fight on a ship, but it still functions just like every other ship."

In 2001, the agency was privatised and rebranded as QinetiQ, a private sector defence contractor.

"I just had a ball working at QinetiQ," Ms Kenny recalls. "When you get to be at the cutting edge of technology that makes a real difference to people's lives, it's really exciting."

But by then in her early thirties, Ms Kenny had switched from the hands-on science to management, and found she enjoyed that just as much.

Being naturally ambitious, she set herself the goal of becoming a chief executive and running her own business.

So when BMT — itself born of privatisation — approached her three years ago when a previous chief executive stepped down, her background and experience proved to be a match for the job.

"For me it was a natural fit, and a real privilege to jump from QinetiQ to BMT, which had the same culture and philosophy."

She took the voluntary role at Maritime UK at the start of this year, succeeding lawyer Harry Theochari. But after having served as its vice chair for two years, she again describes the step up as a natural transition.

As chair, her plan is not just to help the sector talk to government, but to help government to make the best of the maritime industries, to arrive at virtuous circle of co-investment and joint strategy.

She also wants an industry made up of myriad individual concerns to learn how better to talk to itself.

Although it has a predecessor, in the shape of a group known as One Voice, Maritime UK as we know it today was launched in 2009.

"You might have thought, for the sector as it was at the time, the whole idea of creating an overarching trade association of trade associations would be seen as a real threat.

"Interestingly, it hasn't been. It has widely been embraced. The Maritime UK brand has gone from nothing to acting as a focal point for engagement with adjacent industries such as automotive and the universities research sector, and also for government."

The Department for Transport, the Department for Business, Energy & Industrial Strategy, the Department for International Trade, the Royal Navy and the Ministry of Defence routinely sit in on council sessions, clearly showing that the government recognises its weight.

Hyundai Heavy eyes $900m IPO to build green ships

HYUNDAI Heavy Industries Co is planning a Won1trn ($905m) listing on the Korea Exchange to fund its efforts in building green ships.

The company is now one of the three major shipbuilding units under Seoul-listed Korea Shipbuilding & Offshore Engineering, following a restructuring in 2019 by Hyundai Heavy Industries Holdings, the ultimate parent company.

The other two are Hyundai Samho Heavy Industries and Hyundai Mipo Dockyard.

The initial public offering was expected to launch this year, said HHI.

The proceeds will be used to build eco-friendly shipbuilding facilities, develop vessels compliant with future emissions rules and acquire companies involved in fuel cell-related technologies.

The move comes as competition among shipbuilders, especially those in South Korea, China and Japan, has become increasingly fierce, amid a prolonged market downturn and stricter environmental requirements from the International Maritime Organization.

The shipping sector has been asked to reduce carbon intensity by 40% by 2030 and cut greenhouse gas emissions by at least half by 2050.

The lack of clean fuels and uncertainties in developing them have reduced shipowners' appetite for investing in fresh tonnage.

In its latest shipbuilding market review, Danish Ship Finance said it expected ordering activity to remain low until an industry consensus emerges on what is to be developed as future marine fuels.

"Yards will need to upgrade their production and the global supply chain in order to build smarter and greener vessels," said the company.

The Korean builder's fundraising initiative also fits into the country's broader decarbonisation strategy announced recently.

The government in Seoul last month unveiled a 10-year plan for the reduction of greenhouse gases and other pollutants from shipping based on new technologies, pilot projects, eco-friendly conversions of over 500 ships and a Won960bn financing package.

The plan, which will be reviewed for potential changes in five years, comes after a pledge by the government for South Korea to become carbon neutral by 2050.

OPINION

Seafarers: On the radar but not top of the list in virus battle

SOMETIMES, painful messages are given not by what is said, but by what is not said, *writes Richard Clayton*.

During the International Chamber of Shipping leadership webinar, the organisation's Secretary General Guy Platten asked Frederik Kristensen, deputy chief executive at the Coalition for Epidemic Preparedness Innovations, about the problems shipping has had in getting seafarers home.

"It comes down to the definition of 'critical' workers," he responded. "I can certainly say it's on the radar... We should start [vaccinating] the most vulnerable, then it's more nuanced."

In other words, seafarers are not high up the agenda in the view of the epidemic experts. Other critical workers are in more urgent need.

Mr Kristensen had earlier observed there have been 100m coronavirus infections and more than 2m deaths. The actual totals are likely to be higher.

He said identifying the virus and finding vaccines in just a year had been "amazing". It is hoped that one billion people will be vaccinated by the end of 2021.

He explained that manufacturing vaccines was a tricky process and warned that we should expect delays to distribution.

Bjorn Højgaard from Anglo-Eastern and Rajesh Unni from Synergy Marine set out clearly the difficulties ship managers have had bringing seafarers home, with port authorities focusing on flag, nationality of crew, length of time at sea, and so on.

The effort has been uncoordinated, often frustrating, always expensive, and mentally exhausting for everyone concerned.

Nevertheless, we should not underestimate the progress made in the past year. Mr Kristensen said a 10-year leap in vaccinology had been made in a few months. This has demanded, and received, support from every sector.

However, he added, "this is not a black swan event — it has happened throughout history."

The conclusion we are left with is that shipping is likely to emerge from the pandemic very different from a year ago.

Business models must change, a hybrid personal meeting/video conferencing experience will develop, and there should be a plan for the next virus.

Shipping must recognise that in a pandemic with a global impact, seafarers are not the only critical workers seeking a solution.

Key worker status should mean vaccines for seafarers, says shipmanager

COUNTRIES should vaccinate seafarers as part of their key worker status, *says Rajesh Unni, chief executive of shipmanager Synergy Marine*.

Capt Unni said countries should vaccinate crews calling at their ports "as a goodwill gesture" to those supplying their supermarket shelves with goods.

"We need to have a two-pronged approach and not just depend on the nations that supply crew to get them vaccinated," he told a webinar.

Capt Unni, who is one of the figures behind the recently signed Neptune Declaration on crew change, said having at least 30%-40% of crew vaccinated by summer would be "a good start."

But when seafarers will get the jab is not clear.

Asked about vaccines for transport workers, Frederik Kristensen, deputy chief executive of the Coalition for Epidemic Preparedness Innovations, said it was on the World Health Organization's radar, and that of vaccine distributor COVAX.

"It does come down to, as you say, the definition of 'critical workforce'," he said. "From a health, and frankly a security perspective, I can certainly say that it's on the radar."

Dr Kristensen said it was a difficult trade-off as long as supplies were so limited.

"I think there's a strong argument to start with the most vulnerable first. But then the question becomes a bit more nuanced."

Dr Kristensen said while the speed of the vaccines' development was "astounding", the challenge was to distribute it fairly "to ensure that we get some people vaccinated in all countries, rather than all people vaccinated in some countries."

He said faster-spreading variants of the coronavirus were a concern, and countries' recent "vaccine nationalism" undermined fairer distribution.

But he hoped that building partnerships, including with industries like shipping, would help the world prepare for the next pandemic.

Bjorn Hojgaard, chief executive of Anglo-Eastern Univan Group, said new variants of the virus were "scaring governments again" and crew change problems were getting worse in some places.

Mr Hojgaard said his big hopes for the year were to get seafarers key-worker status and vaccine priority, with borders open to them and flights available.

He said the industry had cause for cautious optimism in 2021 and encouraged companies to act early on digitalisation and emissions cuts.

Mr Hojgaard noted the group had commissioned a design for an ammonia-fuelled bulk carrier to be built in 2023.

"We've even worked with a client on space requirements and layout for nuclear molten salt reactors for propulsion," he said. The technology was "perhaps in the more exotic end of the spectrum, but exciting nevertheless."

ANALYSIS

'Asbestos-free' certification does not guarantee safe ships

SHIPS certified as being 'asbestos free' by classification societies could still contain significant quantities of the material, according to a maritime law firm.

The worrying issue is due to varying technical definitions of the term and inaccurate assurances from shipyards.

The situation puts owners at risk of breaching tough European Union regulations that came into force this month, even where they are unaware vessels contain asbestos, with penalties including bans on ships trading in EU ports.

It may also leave them open to compensation claims from seafarers, shipboard visitors and potential shipbreaking workers, a matter that has major implications for P&I insurers as well, lawyers argue.

The scale of the problem is likely to be considerable, according to companies that conduct inventories of hazardous materials.

Hazmat expert Kevan O'Neill of Lucion Marine told an industry webinar this week that of 497 inspections his company had conducted in the two years to December 2020, the substance was found in 332 cases.

All told, it was discovered in 3,641 items, with some 84 of them in the highest risk category, requiring immediate remedial attention.

Asbestos was once a commonplace building material prized for its fire resistant and heat insulation properties. But it has been widely outlawed since it emerged that inhalation caused deadly lung diseases, most notably mesothelioma.

It was widespread on ships built prior to 2002, before the Safety of Life at Sea Convention, Solas, introduced a ban on its use with some limited exceptions. An outright ban kicked in at the start of 2011.

Lloyd's List has previously reported instances of apparent breach of the rules.

The detection of hazardous materials on board commercial ships is also addressed in the Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships.

Adopted in 2009 but not yet in force, the convention will require all new commercial vessels over 500 gt to carry an Inventory of Hazardous Materials (IHM) listing all hazardous materials on board the vessel, their amounts, and their locations.

Some states, notably Australia and the Netherlands, already require an independent approved surveyor to confirm the absence of asbestos before a ship can be entered with their flag.

However, a big majority of flag states do not have this requirement, meaning that there is only limited practical regulation.

But the EU Ship Recycling Regulation (EU 1257/2013) is a major gamechanger. As from the start of this year, all ships of 500gt and above calling at EU ports or anchorages, irrespective of flag, need to have undertaken an IHM survey.

Non-EU flagged ships must also carry a so-called statement of compliance issued after verification of the IHM by either the flag state or a recognised organisation.

Penalties for infringement include warnings, detention, dismissal or even exclusion of non-compliant vessels from the ports or offshore terminals under EU jurisdiction.

"There is therefore a risk that shipowners will be unable to comply with charterers' orders if they are turned away from a nominated port due to non-compliance, or if they are detained and unable to depart as charterers require," according to a briefing document from law firm HFW.

"Such non-compliance could well put shipowners in breach of charter, giving rise to significant claims."

It is common practice to require that shipyards certify newly built vessels as asbestos free, and for class to certify vessels as compliant with Solas, with the implication that they meet Solas asbestos stipulations. But many things can go wrong.

For a start, in certain countries, a material or part can be sold as asbestos free even if it contains asbestos.

In the EU, 'asbestos free' actually means an asbestos content of no more than 0.1%. But in the US the figure is 1%, and in the Far East there is no prescribed figure.

In China, there is no legal prohibition on the use of asbestos, and HFW believes there are examples of asbestos free certificates having been issued for newbuildings that do contain asbestos.

Similarly, shipowners cannot assume that certification of Solas compliance by a vessel's current or previous classification society proves the ship is free from asbestos.

"Such certifications are often based on the shipyard's own confirmations or those of the yard's supplier or subcontractor, without any independent checks (or sometimes any checks at all) of the actual materials installed on board having been carried out by class."

Certification can thus be issued on the basis of documentation which is inaccurate, rather than on testing carried out by the certifying party.

It is recommended — and required by flag states such as Australia and the Netherlands — that marine specialist survey companies which are ISO 17020 accredited are appointed by all shipowners to carry out IHM surveys.

EU 1257/2013 does not require owners to take any action to remove asbestos found during an IHM survey. But Solas allows owners up to three years from discovery of asbestos to have it removed by a professional asbestos removal company, where applicable under flag state supervision.

In practice, shipowners may well be required by class to take steps sooner to ensure there is no risk to the health of visitors or crew, even if they are permitted to defer permanent repairs until a later date.

The financial impact of the discovery of asbestos can be significant. Expert advice must immediately be sought on any necessary temporary measures to protect the crew.

Due to its frequent use as insulation, removal may necessitate dismantling a portion of the surrounding area before the materials containing asbestos can be reached.

The discovery of asbestos can also impact on the vessel's trading and potentially its market value.

Owners may have some degree of legal recourse against those responsible, including contractual or non-contractual claims against the yard and any third-party supplier, subject to applicable time bars.

In addition, national product liability laws may have been breached.

Claims against class may also be possible, but classification societies usually try to restrict rights of recourse.

The position is more complex where the vessel was purchased secondhand, as the current owner will not have had a contractual relationship with the shipyard or class.

Some hull and machinery insurance policies may cover asbestos removal costs but this may not be clear, and an owner can face a potential uninsured exposure.

LNG exporters see a competitive advantage in western Mexico

MEXICO's west coast continues to look like a promising alternative to the US Gulf for the development of terminals to export liquefied natural gas to Asia, despite political risk on both sides of the Pacific Ocean.

"It makes sense," according to Reid I'Anson, a macroeconomist with the energy data firm Kpler, pointing out that LNG carriers have had a tough time traversing the Panama Canal in the past year.

"This year, we've seen issues just trying to get vessels through the Panama Canal. That's huge. It was a notable point of congestion with a lot of vessels trying to get to Asia. If you can bypass all of that, there's a big advantage," he says.

A recent Lloyd's List analysis drew attention to such problems, saying that congestion at the Panama Canal has forced many tankers carrying US LNG to sail a much longer route across the South Atlantic and around the Cape of Good Hope to reach Asia, increasing transportation costs.

Bypassing the Panama Canal is an advantage that San Diego-based Sempra Energy has been attempting to leverage for several years now with its proposed ECA LNG export facility about 60 miles south of the US border at Costa Azul.

The US Fortune 500 firm recently got a boost for its development when Total SA signed on for a 16.66% share of ECA LNG, an attractive project due to its "proximity to Asian markets", according to Philippe Sauquet, Total's president for gas, renewables and power.

It's a powerful endorsement of the project. Total is the world's second largest privately owned LNG player, with a global portfolio of nearly 50m tonnes a year by 2025 and a global market share of around 10%.

Mr I'Anson sees the economic sense of developing LNG export facilities along Mexico's Pacific Coast but says there are political risks involved which require due consideration.

"From a purely economic standpoint, yes, but politically, I don't know. It could be risky given the past actions out of the Mexican government over the last 30 or 40 years," he says.

"I know if I build my installation in Texas, I'm going to have the rule of law. The state of Texas isn't going to come down and seize my assets. But I don't know if I can have that luxury afforded to me in Mexico," he says.

Apart from the export facility itself, there are other potential issues, such as ensuring that natural gas pipelines "continue to flow without issue" or concerns that the Mexican government might decide "to change" its agreement.

Still, Mr I'Anson sees the upside potential to such projects.

"If you can find a way to do it viably and get certain guarantees from the Mexican government and you feel like they'll follow through, it does make sense from an economic standpoint," he says.

It is far preferable to pipe natural gas from source fields in New Mexico or Texas than to use the Panama Canal, he says, underlining its fees, congestion and waiting times — all of which "cost money".

"All of that, you know, adds costs to your ability to sell into Asia which is where the growth market is for the United States," he says, again underlining the economic argument for facilities on the Pacific Coast.

"Demand growth in Asia is no doubt going to be strong simply because both China and India clearly want to shift away from thermal coal and shift towards a natural gas driven model for power," he says.

"Those two economies alone are going to drive LNG demand moving forward and there's no doubt that's going to happen," he says, while adding that the "rate at which that can happen is up in the air."

Politics can certainly play a role in that demand drive as shown by recent events such as US-China relations "which are not great".

"LNG producers stopped shipping volume to China for a bit just because of trade restrictions. So through most of 2019 and early 2020, no LNG was being shipped towards China," he observes.

He notes the "big recovery" from that low point, as US producers sent more than a million tonnes of LNG to China in December. That's a "big change" but "is the Chinese government going to continue to allow that to happen?"

He says that situation holds for other commodities, too: "The Chinese have been purchasing a lot of US grains, a lot of US oil, a lot of US LPG, a lot of US LNG. The question is, can that continue?"

As Mr I'Anson observes, "you've got political risk in Mexico and political risk in China". But he also underlines the substantial financial incentives for firms willing to navigate the risks.

Referring to the JKM benchmark price assessment for spot physical cargoes just 10 days ago, he notes that the spread between the front month and the third month was "gigantic".

"We saw the spread push out to more than $11. It was nuts. The spread between the JKM in front month and third month was $11.64, which is huge," he says, noting that the price usually holds within a boundary between plus or minus $1.

"In this case, it's just a lot of demand right now. Does that make sense?"

Those are the kinds of numbers that do make sense to LNG producers who are seeking a competitive advantage over their rivals in the US Gulf by constructing facilities on Mexico's Pacific Coast — keeping in mind the political risks.

Shipowners lay out conditions for Europe's emissions plan

EUROPEAN shipowners have laid out what they see as required conditions for European Union market-based measures on shipping emissions.

The European Community Shipowners' Associations this week responded to the commitment by European lawmakers and regulators to including shipping in the EU Emissions Trading System.

Setting out conditions for the framework of such a move, the association reiterated firmly-held industry positions that a global approach to decarbonisation is needed, that shipping's inclusion in the bloc's carbon cap and trade scheme could derail global progress and that the ETS itself is not appropriate for the shipping industry.

"An EU ETS for shipping would have relatively little impact on the sector's global [greenhouse gas] emissions and, if they delay further progress at [the International Maritime Organization], could impact negatively on their current downward trajectory," the association said.

Among their conditions is the prerequisite that market-based measures should be "scalable, consistent and compatible" with future IMO rules.

The European Commission's director European & international carbon markets Beatriz Yordi said co-operation with the IMO was a "must" and that the EU could not wait for other countries to accelerate their decarbonisation efforts.

"We don't see the risk of retaliation," she told an Ecsa webinar. "We are not alone on the climate agenda."

The association said market-based measures should not distort competition or create administrative burdens for shipping companies.

"The geographical scope of an MBM should be limited compared to the EU MRV scope in order to avoid political tension with third countries, which could lead to trade disputes and discriminatory measures against EU vessels by other jurisdictions," it said.

This limited scope of a market-based measure system has been strongly pushed by the industry, particularly the containership sector.

Ecsa also asked that market-based measures on shipping be introduced gradually.

“A phase-in period will be necessary to provide investment signals and allow learning from participants. It would also allow regulators to identify potential errors in the design of the scheme,” it said.

Ms Yordi said the commission was currently considering whether to phase in emissions rules for maritime or to seek a faster integration of the sector.

Ecsa’s conditions make no specific mention of the Emissions Trading System and refer to market-based measures more broadly, indicating that despite its willingness to accept an EU measure, the association does not want shipping to operate within the existing carbon trading system and would prefer a different system for shipping.

This specific approach will resonate especially with Greek shipowners, by far Europe’s largest national shipping bloc, who had made a similar suggestion to the commission late last year.

Ecsa president Claes Berglund told the webinar that he was concerned that a carbon trading scheme for shipping would amount to “hasty legislation” with negative implications for shipping globally.

The European Commission is conducting a public consultation ahead of unveiling its proposal for a revised Emissions Trading System in June which will include the maritime sector in some capacity.

The detailed policy positions were also presented a few months after evident differences in positions among Europe’s biggest shipowning interests.

The association also favours the establishment of a fund based on the revenues from any markets-based measures system which would support R&D and innovation projects for low- and zero-carbon fuels and propulsion technologies.

“Revenues should also contribute to bridging the price gap between conventional and low- and zero-carbon fuels, that are not currently eligible for EU funding,” it said.

MARKETS

Capesize market cools ahead of Chinese New Year

FREIGHT rates for capesize bulk carriers have begun to stumble ahead of the Chinese New Year after registering a phenomenal beginning to the year.

Brokers attributed the slide to an expected seasonal dip in cargo demand due to the upcoming holidays, cargo cancellations after recent Australian port closures and tonnage tightness in Brazil.

The Baltic Capesize Index shed 14.3% to 2,497 points from its January 26 close as the average weighted time charter rate dropped to $20,709 per day from $24,148 a day.

All trading routes plunged, with the C3 Brazil to China voyage quoted at $17.76per tonne, while the C5 Western Australia to China leg was assessed at $6.91 per tonne, according to the Baltic Exchange.

“With the week concluding on a pair of consecutive losses, it would appear that a freight reversal for the capesizes was more than a flash in the pan,” BMTI research said in a market report. “With losses looking sharper than in the last round of corrections, it would also seem that owners have more to be worried about.”

Nonetheless, the fact that rates are still trading at relatively high levels bodes well for near-term success of the biggest bulkers, it added.

In the forward freight assessment market, both paper and physical capes posted heavy losses on Tuesday as the physical started to justify the recent sell-off on the prompt periods, according to Freight Investor Services.

“What surprised many was the speed at which the early sell-off caused paper to slide, taking into account the very low volume,” it noted.

The plunge in capesize rates has also dragged down the Baltic Dry Index, which stood at 1,659 points on Thursday, a fall of 6.1% compared to the week before.

Congestion at Chinese ports continues to disrupt bulker demand. Over 55 laden bulk carriers have been waiting in Chinese anchorages to offload Australian coal, of which 16 are capesize vessels, according to Lloyd's List Intelligence vessel tracking data.

Will Biden era herald a wind of change for offshore farms?

THE momentum is building for offshore wind farms in the US to see the light of day given President Joe Biden's clean energy stance.

Several projects, which had been waiting for permitting approvals during the previous administration, may be allowed to begin construction, although it is still unclear how soon this could take place.

"With Biden in charge it should be full speed ahead," said Clarksons Platou offshore analyst Jens Egenberg.

The 800-megawatt Vineyard project off Massachusetts, which is the first likely large-scale commercial wind farm, could see earliest output in 2023.

It will have 62 turbines, needing some 30-40 vessels in total, deployed at different phases of development, from cable-laying to foundation installation, through to support vessels, such as crew accommodation and trenching vessels.

Out of that, three to six are jack-ups, comprising one to two wind turbine installation vessels and two to four feeders, according to Clarksons' estimates.

Following on from Vineyard, Orsted's joint project in the North Atlantic, which will comprise three farms, with a combined capacity of 1.7 gigawatts, and mid-Atlantic farms, with a capacity of 1.2 GW, could start operating from 2024 at the earliest.

"Hectic marine operations" are expected, but the difficulty is securing space at yards for new vessels. Some older ships used in the oil and gas sector could be revived for use in offshore wind, but there will still be a shortfall given the massive growth expectations.

A busy tendering process for vessels is underway for all projects, Mr Egenberg said.

Globally, 20 WTIVs are needed to meet demand in 2025. The current fleet, capable of installing new turbines, is made up of three to five vessels, with one under construction, and up to two firm orders. That is less than half future requirements, excluding China, he said.

Even before the election, Mr Biden pledged trillions of dollars in spending on clean energy.

In December, as part of a sweeping stimulus package by the Trump government, congress surprisingly passed an investment tax relief of 30% for offshore wind projects, provided construction starts before the end of 2025. But, that does not extend to the vessels needed for crew transfer, installation or maintenance.

While the outlook is promising, and the change in administration a positive step which could see more resources applied to approvals, challenges remain, according to Oslo-based Rystad Energy.

"We see challenges to the capacity ramp-up in the US towards 2030, as there is a need to establish a working value chain. Ports need upgrading, manufacturing capacities most be established, and the Jones Act adds to the challenges for US developers," said vice-president Alexander Fløtre.

"As the prolonged permitting processes continue to delay the initial US projects, this shifts the entire timeline for the US's capacity build," he said, adding that turbine technology advances had outpaced the permitting process time.

"The newest generation turbines offer potential cost savings for developers, so they will want to tap into those. Today we see the marketing of 15 MW turbines, while wind farms currently being commissioned may use turbines in the 6-8 MW range," he noted.

Nevertheless, the US continues to be an important hub for offshore activity, Mr Fløtre said.

The new US administration gives "a certain level of regulatory certainty for potential investors," according to AMA Capital Partners' director Sunil Kurien. Some projects could even start construction this year, provided they get all the approvals within the next six months.

"Investors are excited about the offshore wind sector — just look at the 40% share price rise of Cadeler since the start of the year," he said. OHT, an Oslo-listed specialist transport and installation contractor, had also risen by 21% as of January 22.

Vessels, which can take up to three years to build, needed to start construction soon, though, to meet the projected future demand, he added.

"Investor interest is growing for various reasons, not the least of which being the new political landscape which appears to be more offshore wind-friendly," said Ajay Suda, a naval architect and marine engineer based in the US.

He added that delays in the projects had, on the one hand, served to accumulate a backlog, while on the other hand, turbine sizes had grown so quickly due to technological advances that "most of the European fleet is incapable" of installing the 12 MW+ behemoths.

"This has resulted in a perfect atmosphere for the US investor to invest in a long-term solution, the WTIV, as opposed to short-term ones like the feeder vessel options," he noted.

Dominion Energy has been a first-mover in this respect, and may be rewarded with high utilisation rates, according to Rystad.

The US company has ordered a WTIV at the Keppel yard in Texas for $600m. Work is underway and the vessel is scheduled for delivery in 2023. It will be deployed on projects on the US east coast.

According to Wood Mackenzie, the US offshore wind sector will effectively launch in 2023, when the Vineyard project is projected to come online. In addition, about 260 MW of smaller projects supplying New York, Maryland and Maine, are expected to start.

Almost 25 GW of offshore wind capacity will be added in the US from 2020-2029, it said in a report last year.

Companies are thus positioning themselves for the anticipated growth.

US-based Crowley Maritime said earlier this month it had set up a new energy division focusing on offshore wind and liquefied natural gas. It expects to be a total lifecycle service provider for power companies looking to enter the new American market, from transportation of turbines during construction to designs for industry-specific support vessels.

Cadeler, renamed from Swire Blue Ocean last year, is also looking to expand into the US, as well as North Asia, according to media reports. Its work has so far focused on Europe.

Norway's OHT, which has just opened an office in Denmark, will also be looking at the US market, but its primary focus will be expanding in Europe — to Poland, the Baltics and other parts of eastern Europe.

"The US market is very interesting, but the Jones Act is an obstacle, as we are not planning on building any vessels there due to yard capacity and infrastructure constraints," said managing director Tony Millward.

"The US is presently not best-equipped to build such big, complex jack-up vessels in any large numbers," he said, adding that there were however, good solutions for non-US vessels using smaller feeder-style ships to sail components out from the marshalling harbour, thereby working within the Jones Act regulations.

American vessel owners do not build on speculation and need a certain amount of fixed pipeline, however.

HMM chief says newbuildings were key to recovery plan

SOUTH Korea's HMM struggled for many years to make money, particularly in the low-rate environment that existed between the collapse of compatriot Hanjin Shipping and the pandemic.

But chief executive Jae-Hoon Bae believes the company has turned the corner and that its investment in larger tonnage will help it survive and prosper.

"When I took up the role of president and chief executive of HMM in 2019 the market was competing on low freight rates due to vessel oversupply, and the oil price remained high," he said. "HMM did not have strong credibility among the industry or its shareholders."

There was a great deal of uncertainty at the time, particularly with the International Maritime Organization's sulphur rules, introduced in 2020, but Mr Bae set about reorganising the corporate structure and implementing a cost savings drive designed to increase profit by $50 per teu.

"We thought it would not be easy but we were able to improve our 2019 sales result beyond expectations," he said.

He also inherited a major newbuilding programme instigated by his predecessors, who had committed the line to increasing its fleet capacity to 1m teu, nearly three times its size at the time.

"The situation in 2018 was one in which the earnings of container lines was polarised depending on vessel competitiveness due to oversupply," said Mr Bae. "By acquiring larger tonnage, lines had secured market share through fleet enlargement and mergers and acquisitions. They dominated the market through lower costs."

To compete, HMM was going to have to join the fray. It ordered a 12-ship series of 23,000 teu vessels and another eight 16,000 teu ships.

"HMM ordered ULCs to build "fundamental competitiveness" and operational efficiency," he said. "In 2018, newbuilding prices were at the lowest level since 2000, therefore we believed it was the right time to secure eco-friendly, high efficiency fleet at a competitive cost."

But just as these ships began to enter service, the pandemic began to spread around the world.

On top of this, HMM's strategic partnership with the 2M alliance of Maersk and Mediterranean Shipping Co had ended in December 2019.

Volumes fell sharply by the end of the first quarter and the line's investment in scrubbers, which are on 90% of its fleet, looked expensive in the face of falling oil prices.

Demand, however, began to recover in the second quarter.

"From April 2020, 12 24,000 teu containerships were sequentially put into operation and activities as a full member of The Alliance began," said Mr Bae.

By August, HMM reported its first operating profit in 21 quarters.

"In retrospect, 2020 was a crisis for HMM but it as the saying goes, success is where preparation and opportunity meet," he said. "The pandemic continued through the third quarter but the container market continued to rise due to the unexpected demand. This continued through the fourth quarter as a shortage of equipment held up rates."

He added that the one of the key reasons behind the turnaround had been the high freight rate and the recovery of demand from southeast Asia and China, starting in the second half of the year due to increased levels of spending.

"This recovery is expected to continue until the Chinese New Year. Additionally, retaliatory spending when the pandemic retreats is expected to increase overall levels of consumption so demand could be even higher in 2021."

He warned, however, that as pandemic receded there was a risk that more spending could move to services instead of goods, pushing down freight rates again.

Economic recovery would also see the price of oil recover but this should benefit HMM's scrubber strategy.

"Due to the pandemic there was a decline in oil prices but this is expected to rise again gradually, with the spread between low- and high-sulphur fuel recovering to nearly $100 recently," Mr Bae said.

Further investment in both ships and scrubbers were not ruled out, he added.

"Should these investments prove to be successful, I believe HMM could gain much more competitiveness in the industry."

With its fleet capacity now at 270,000 teu and with another 120,000 teu on order, HMM sits eight in the global box fleet rankings and is on a much firmer footing than it was just a few years ago.

"Various external factors have played a role in creating such a fast turnaround," Mr Bae said. "It is undeniable that factors such as international oil prices, Covid-19 and consumer sentiment were important in shaping HMM's current turnaround.

"However, nobody could have predicted these changes nor created them. But the correct decision making laid the groundwork for seizing the opportunities when they arose. This is what we will continue to do in the future."

IN OTHER NEWS

Hapag-Lloyd operating profit exceeds $3bn after strong fourth quarter

HAPAG-Lloyd said its operating profit exceeded $3bn in 2020 following a strong fourth quarter, despite a slight fall in transported volumes during the year.

It said preliminary figures showed earnings before interest, taxes, depreciation and amortisation (ebitda) for the 2020 financial year of "more than $3bn,'' with earnings before interest and taxes (ebit) at around $1.5bn.

The world's fifth largest container line said the results were in line with the revised full-year guidance it issued in early December.

Marine tech companies launch shipping telecoms venture

MARINE technology companies based in Greece and Cyprus have launched a new company focused on ship communications.

SRH Marine SAIT, which provides digital, navigation and communication solutions for shipping companies, and maritime telecommunications and technology provider Tototheo Maritime said that the new company would have "global reach".

Dubbed MAR360, it would offer a "complete range of innovative and efficient telecommunication services," they said, adding it would be "a game-changer in our industry".

Shipping accepts 'Mission Possible' to tackle emissions

A COALITION of leaders in the shipping industry and other heavy industry and transport sectors has been formed to tackle global emissions.

The 'Mission Possible Partnership' brings together over 400 companies from shipping, aviation, trucking and four other industries which between them account for around 30% of global emissions.

Launched in the context of this week's Davos Agenda, the initiative represents a cross-industry push to decarbonise these industries and complement efforts by individual governments.

SM Line preparing IPO to fund expansion

SM Group, a South Korean conglomerate, has announced a plan to list its container shipping unit SM Line to fund expansion.

The initial public offering on the domestic exchange is expected to launch in the second half of the year.

The proceeds will be used buy ships and container equipment as the mid-sized carrier is keen to upscale its business, especially on intra-Asia and transpacific trades.

Yangzijiang shipbuilding joins venture capital fund

CHINA'S Yangzijiang Shipbuilding has invested in a venture capital fund to help spur domestic economic growth and better deploy its cash on hand.

The Jiangsu-based, Singapore-listed shipbuilder said in an exchange filing that it had entered into a limited partnership agreement with several local investment companies to acquire a 20% equity interest in Jiequan Emerging Industry Development Fund.

The fund aims to generate capital gains from providing seed capital in Jiangsu Province.

Classified notices follow

ELECTRICITY ACT 1989 (AS AMENDED)

THE ELECTRICITY GENERATING STATIONS (APPLICATIONS FOR VARIATION OF CONSENT) (SCOTLAND) REGULATIONS 2013 (AS AMENDED)

Notice is hereby given that **Inch Cape Offshore Limited (ICOL)**, registered under company registration **SC373173** at **5th Floor, 40 Princes Street, Edinburgh EH2 2BY,** has applied to the Scottish Ministers to vary the consent granted under section 36 of the Electricity Act 1989 granted on 16th of July, 2020 to construct and operate offshore generating station known as **Inch Cape Offshore Wind Farm, located 15-22km east off Angus coastline with a total area of 150km^2 (central latitude and longitude co-ordinates: 56º 49.457'N 2º 19.554'W)**

The application made under section 36C of the Electricity Act 1989, seeks to **remove the maximum generating capacity of the Inch Cape Offshore Wind Farm from the Section 36 Consent. No amendments to physical parameters of the wind turbine generators or associated infrastructure are being sought through this amendment.**

The variation application and supporting information is available for review on the following websites:

http://marine.gov.scot/ml/inch-cape-offshore-windfarm-revised-design

www.inchcapewind.com/newsroom

Any representations should be made in writing by email to MS.MarineRenewables@gov.scot or by post to The Scottish Government, Marine Scotland Licensing Operations Team, Marine Laboratory, 375 Victoria Road, Aberdeen, AB11 9DB, identifying the proposal and specifying grounds for objection or support, not later than **1st March 2021**, although the Scottish Ministers may consider representations received after this date. Representations should be dated and should clearly state the name (in block capitals) and the full return email or postal address of those making representation.

Where the Scottish Ministers decide to exercise their discretion to do so the Scottish Ministers shall cause a Public Local Inquiry (PLI) to be held.

Following receipt of all views and representations, the Scottish Ministers will determine the application for consent in one of two ways:

- Consent to the variation application, with or without conditions attached; or
- Reject the variation application.

Fair Processing Notice

The Scottish Government's Marine Scotland Licensing Operations Team ("MS-LOT") determine applications for marine licences under the Marine (Scotland) Act 2010, the Marine and Coastal Act 2009 and section 36 consents under The Electricity Act 1989 (as amended). During the consultation process any person having an interest in the outcome of the application may make a representation to MS-LOT. The representation may contain personal information, for example a name or address. This representation will only be used for the purpose of determining an application and will be stored securely in the Scottish Government's official corporate record. Representations will be shared with the applicant and/or agent acting on behalf of the applicant, any people or organisations that we consult in relation to the application, the Directorate of Planning and Environmental Appeals should the Scottish Ministers call a PLI and, where necessary, be published online, however personal information will be removed before sharing or publishing.

A full privacy notice can be found at: https://www2.gov.scot/Topics/marine/Licensing/marine/PrivacyNotice. If you are unable to access this, or you have any queries or concerns about how your personal information will be handled, contact MS-LOT at: ms.marinerenewables@gov.scot or Marine Scotland - Licensing Operations Team, Marine Laboratory, 375 Victoria Road, Aberdeen, AB11 9DB.

MAIB

Inspector of Marine Accidents, Engineering – MAIB (Marine Accident Investigation Branch)

Salary: £74,485

Southampton

Do you have extensive senior management experience at sea and ashore in an engineering role?

If so, we have a rare opportunity to join the Marine Accident Investigation Branch (MAIB) to investigate marine accidents.

About us

The MAIB is an independent organisation within the Department for Transport. Based in Southampton, the Branch is responsible for investigating accidents and incidents involving UK vessels anywhere in the world, and any vessels within UK territorial waters, with the aim of improving the safety of life at sea and the avoidance of accidents in future.

About you

You will be an integral part of a multi-disciplinary team of inspectors responsible for investigating a wide range of marine casualties to determine their circumstances and causes.

Your key responsibilities will include:

- deploying to accident sites and leading investigations
- collecting evidence and interviewing witnesses
- conducting detailed analysis in order to identify safety issues and draft recommendations
- writing investigation reports and safety bulletins
- giving evidence at inquests and fatal accident inquiries

You will already have extensive senior management experience at sea and ashore in an engineering role.

You will be expected to apply sound judgement and strong leadership skills, and to be empathetic when dealing with next-of-kin or others seriously affected by marine accidents.

You will be highly motivated and assertive, inquisitive and a critical thinker. You must be able to work under pressure and be comfortable working in a team or independently. You will require considerable diplomatic skills and be able to engage colleagues and external stakeholders in the discussion of new, unfamiliar or controversial concepts.

You will have excellent verbal and written communication skills, be capable of producing accurate and clear written reports to challenging deadlines, and have good presentation skills. You must also be computer literate.

https://www.civilservicejobs.service.gov.uk/csr/jobs.cgi?vxsys=4&vxvac=90447

Closing date: 29 January 2021

MAIB

Inspector of Marine Accidents, Nautical – MAIB (Marine Accident Investigation Branch)

Salary: £74,485

Southampton

Are you an experienced nautical professional seeking an opportunity to make a difference in the investigation of accidents at sea?

If so, we have a rare opportunity to join our Marine Accident Investigation Branch (MAIB) to investigate marine accidents, and we would love to hear from you.

About us

The MAIB is an independent organisation within the Department for Transport. Based in Southampton, the Branch is responsible for investigating accidents and incidents involving UK vessels anywhere in the world, and any vessels within UK territorial waters, with the aim of improving the safety of life at sea and the avoidance of accidents in future.

About you

You will be an integral part of a multi-disciplinary team of inspectors responsible for investigating a wide range of marine casualties to determine their circumstances and causes.

Your key responsibilities will include:

- deploying to accident sites and leading investigations
- collecting evidence and interviewing witnesses
- conducting detailed analysis in order to identify safety issues and draft recommendations
- writing investigation reports and safety bulletins
- giving evidence at inquests and fatal accident inquiries

You will be expected to apply sound judgement and strong leadership skills, and to be empathetic when dealing with next-of-kin or others seriously affected by marine accidents.

You will be highly motivated and assertive, inquisitive and a critical thinker. You must be able to work under pressure and be comfortable working in a team or independently. You will require considerable diplomatic skills and be able to engage colleagues and external stakeholders in the discussion of new, unfamiliar or controversial concepts.

You will have excellent verbal and written communication skills, be capable of producing accurate and clear written reports to challenging deadlines, and have good presentation skills. You must also be computer literate.

Apply here: https://ad.doubleclick.net/ddm/clk/486602570;293487326;r

Closing date: 29 January 2021